HOUSING MARKET INFORMATION

# HOUSING MARKET OUTLOOK
## Hamilton and Brantford CMAs

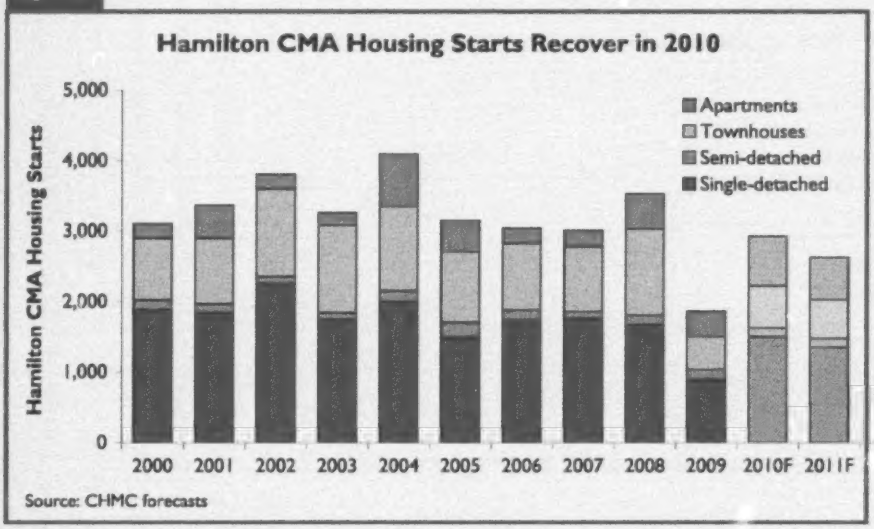
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2010

## Market at a Glance

- MLS® sales to reach 13,600 units in the Hamilton Census Metropolitan Area (CMA) and 1,950 in the Brantford CMA. Current momentum in sales will dissipate through the second half of 2010 and into 2011 with mortgage rates on the rise.
- Starts will reach close to 3,000 units in the Hamilton CMA and just over 400 in Brantford.

Figure 1




[1] The forecasts included in this document are based on information available as of April 23, 2010.

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## Resale Market

### MLS® Sales to Rise

MLS® sales in the Hamilton Census Metropolitan Area (CMA) and Brantford CMA are forecast to increase this year as buyers head to the market earlier in the year to close their deals before anticipated mortgage rate increases. The number of sales in Hamilton and Brantford will reach 13,600 and 1,950, respectively, with the majority of the sales occurring during the first half of the year. First time buyers and downsizing baby boomers are two of the major demographic groups that will be contributing to the rise in sales this year. Several factors will result in a slower resale market towards the end of 2010 and into 2011: higher mortgage rates, changes to mortgage regulations, and rising home prices. Buyers have already begun bringing their purchases forward through the first few months of 2010 and the momentum is expected to continue through the first half of the year.

The rise in mortgage carrying costs in the latter part of 2010 means that the income required to buy a home will be rising faster than actual incomes in both the Hamilton and Brantford CMAs. This trend will continue into 2011, when required income[1] as a proportion of actual income in Hamilton will reach a level not seen since the mid-1990s. It is important to note that the average actual income of Hamiltonians also includes the incomes of those who work in other areas where incomes may be higher, but choose to reside in Hamilton where the required income to own a home is lower. Hamilton remains a relatively affordable place to live when compared to the more expensive markets in the Greater Toronto Area.

While sales are strong throughout the Hamilton CMA, approximately half of the sales in 2010 will occur in two of the most highly desired markets: the Mountain and Burlington. Well-established communities and a diversity of home types available for purchase on the Mountain make it an attractive option for many family households. Burlington is also an

Figure 2

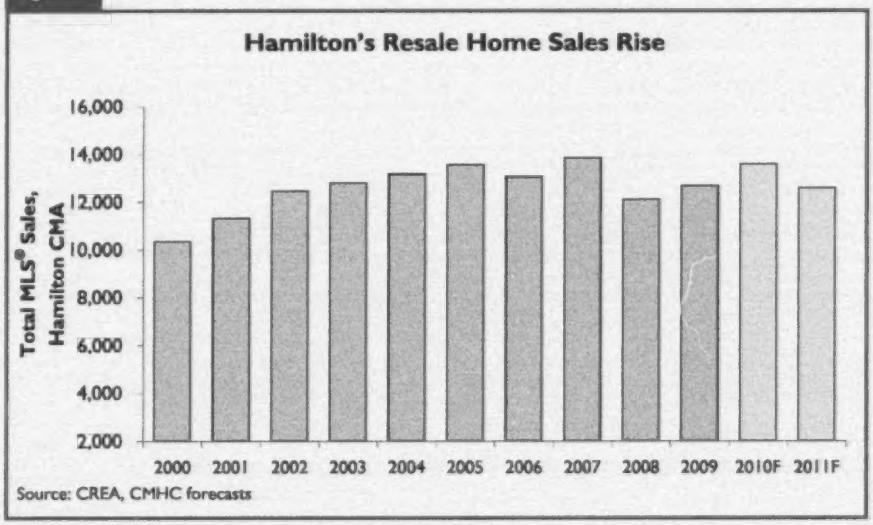
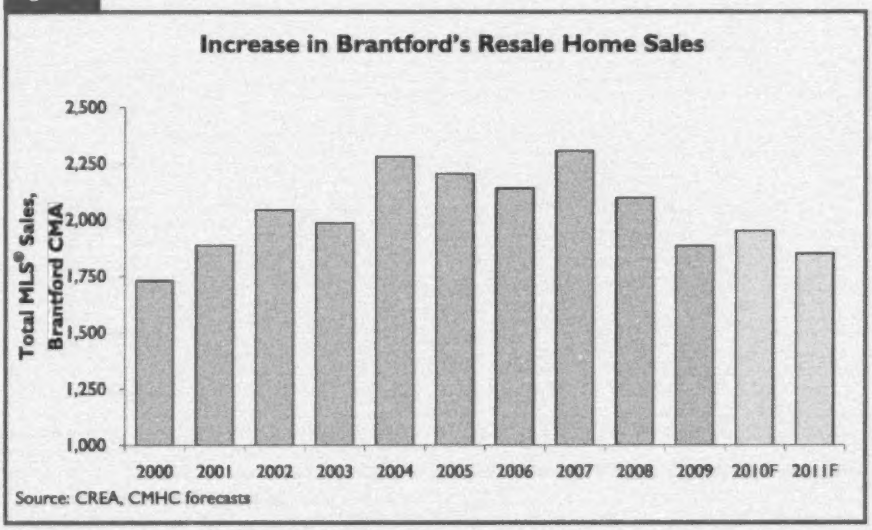
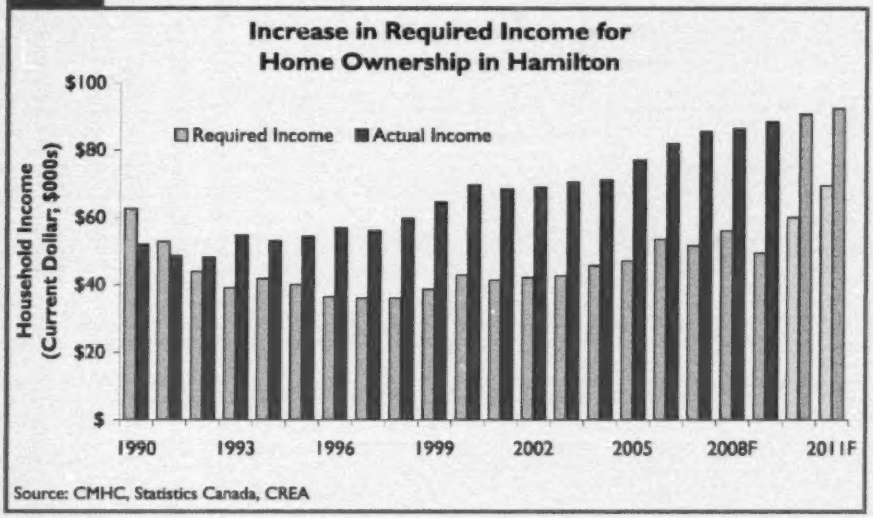



Figure 3



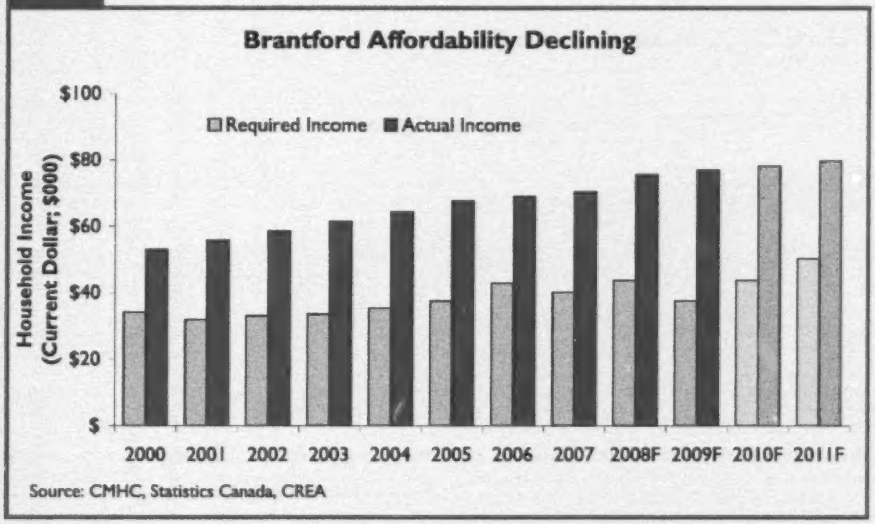

[1] Required income is mortgage carrying costs divided by .32 to reflect the 32 per cent debt service ratio most lenders use to qualify households for a mortgage. Mortgage carrying costs are based on the average MLS® price, the five-year fixed mortgage rate, a 35 year amortization and a 10 per cent downpayment.

Figure 4




Source: CMHC, Statistics Canada, CREA

Figure 5




Source: CMHC, Statistics Canada, CREA

attractive community for families and people who work in Burlington and the surrounding area. Population growth in this market has been one of the strongest in Ontario and residential and commercial expansion has responded well to the growth. Existing home sales in Burlington will continue to be strong through 2011 and beyond. Fewer sites available for single-detached home construction means more buyers will be looking to the existing home market. New, single-detached homes in particular will be in shorter supply since they are a less efficient use of land.

In the Brantford CMA, the resale market will continue to offer competition to the new home market. First quarter sales in 2010 were higher than they had been in the previous two years, and the strong growth will continue through the first half of the year. The wide gap between the price of a resale single-detached home and that of a new home makes an existing home very attractive to buyers. However, sales will slow through 2011 as many of the sales in 2010 were pulled forward from 2011. Listings will not ease as much as sales and average price growth will move up at a slower pace in late 2010 and into 2011.

## More Homes Listed for Sale

Average new listings in the Hamilton CMA will rise by about four per cent in 2010 to over 18,000 homes. In the Brantford CMA, listings will rise by over five per cent to 3,500. Many sellers will be looking to take advantage of the price appreciation in the market this year and a bulk of the sellers fuelling the market will be baby boomers, some of whom are looking to move up and buy a larger home. Statistics Canada estimates that the largest change in population growth from 2006-2016 in the Hamilton CMA will be those aged 50 to 75.

A large number of homes were sold below asking price during the first quarter of 2010, an indication that sellers in the Hamilton CMA put their homes up for sale at a price higher than what the market would bear. This experience suggests listings growth will slow in 2011.

## Sellers' Market in Hamilton and Brantford

In recent months, sellers of existing homes have typically been able to dictate the starting price point from which buyers then negotiated from. While the final closing price has typically been below asking price, the average price of an existing home in the Hamilton CMA is still forecast to rise eight per cent to $315,000 this year. Average prices rising above the inflation rate is one indicator of a

sellers' market.

Another measure of the market condition is to compare the number of forecast sales to the number of new listings. It is projected that the large majority of homes which will be listed this year will be sold, and the demand will also have an impact on driving the average home price upward. In 2011, average prices will follow more closely in line with the rate of inflation and increase by approximately three per cent. There is however, a downside risk that new listings may grow faster than anticipated and would have a negative impact on prices in 2011.

In the Brantford CMA, more modest price growth is forecast for 2010, though sellers' market conditions will prevail with just over half of the homes newly listed being sold. The average price of an existing home is forecast to rise closer in line with economic conditions at four per cent to reach $229,000. Slower activity in the Brantford market is a result of a weaker economy which has hampered growth in the housing market.

## New Home Market

### Starts Recover Through 2010

Builders in the Hamilton CMA will begin construction on close to 3,000 homes this year as the new home market recovers through 2010. Housing starts are expected to more than double last year's total, though remaining below the longer term average when starts were above 3,000 for more than a decade. In the Brantford CMA, over 400 new homes will be started, up from just over 300 last year, and the majority will be single-detached homes. Inventories of unsold homes are low in some markets in the Hamilton CMA and Brantford CMA as of the end of the first quarter of 2010. This indicates that there is demand for new homes, particularly townhouses, in both markets and a need to replenish supply.

### Fewer Starts of Single Detached Homes

In addition to these changes in the market, a shortage of land supply for residential construction in the Burlington market will limit starts of single-detached homes. In their place will be neighbourhoods with homes which use land more intensively such as townhouses and apartments, the majority of which are condominium style.

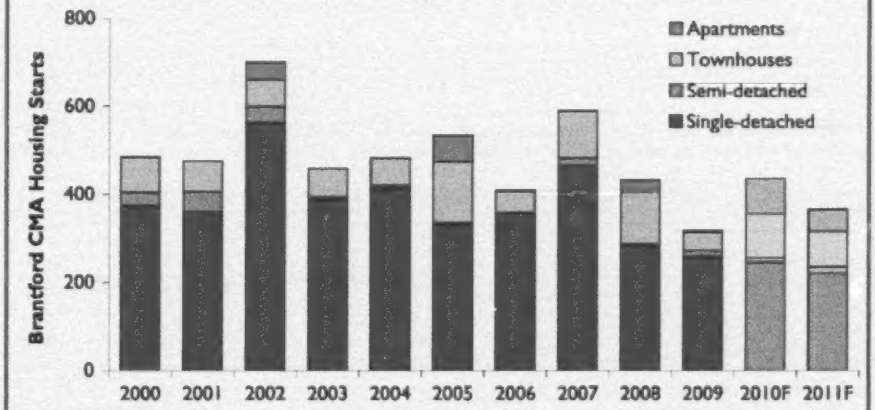
The lower price tag of smaller homes such as townhouses and apartments is another attractive feature driving some buyers towards this home type. The median price of a single-detached home in Ancaster and Burlington was approximately $460,000 during the last quarter, and just a handful of single-detached homes in these markets were priced below $400,000. The steeper price for a single-detached home will be one factor that will increase the number of townhouse and apartment starts.

In the Brantford CMA, the median price of a single-detached home was $330,000 last quarter, up from $260,000 a year ago. Single-detached homes in Brant County had a median price of $488,000. More expensive homes and custom built homes in Brantford have put upward pressure on home prices this year, and will face competition from the resale market.

## Economic Trends

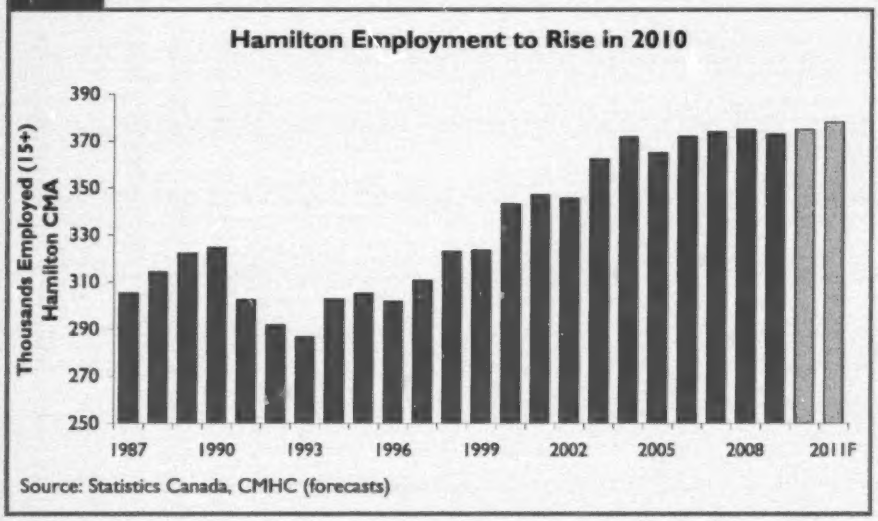
Figure 6

**More Townhouse Starts in Brantford CMA**



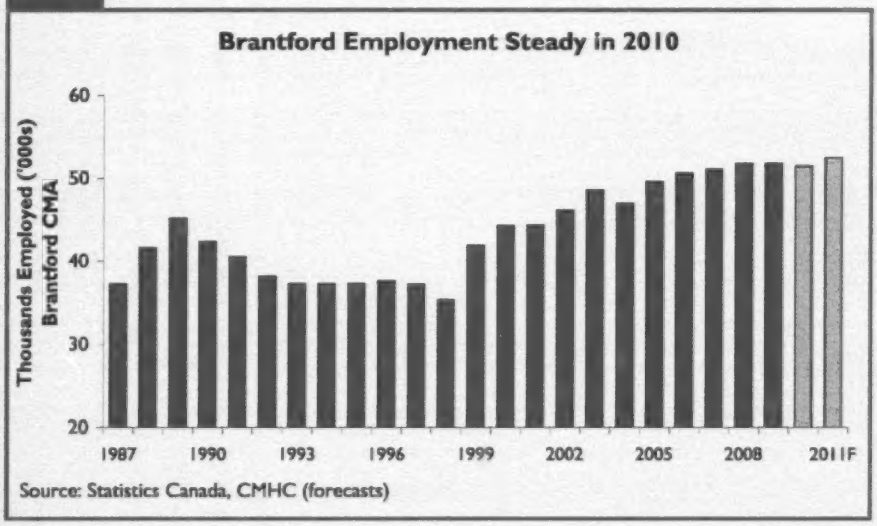

Source: CHMC forecasts

Figure 7




Source: Statistics Canada, CMHC (forecasts)

Figure 8




Source: Statistics Canada, CMHC (forecasts)

## Employment Steady in Hamilton and Brantford

The unemployment rate in the Hamilton CMA will be just above eight per cent in 2010 and move lower in 2011. In the Brantford CMA, the unemployment rate will rise to 11 per cent.

Job growth in Hamilton will continue to be supported by the health and education sectors. Investments into post secondary institutions and hospital programs in recent years have had a positive impact on growing these industries. In addition to these sectors, prominent businesses such as Canada Bread and Tim Horton's have recently moved and opened new facilities in the Hamilton area. Nearby in Burlington, the city has designed and preserved certain employment lands for expected future economic growth. These factors are expected to help retain and attract new migrants to the Hamilton area.

Despite weaker employment conditions in Hamilton in 2010, average weekly earnings continue to rise. A shift in the workforce towards more knowledge-based employment in industries such as health care and education has some positive impact on boosting average earnings. Also, it is important to note that employment is rising among the typically higher-earning 45 to 64 year old age group, and declining amongst all other age groups. This also puts upward pressure on the overall average earnings and will provide underlying support for home prices.

In Brantford, the primarily manufacturing-based economy has lost a significant number of jobs in recent years. Part-time employment has risen, indicating that employers and especially manufacturing employers are hiring back workers on a temporary or casual basis to fill in shifts as necessary. The unemployment rate remains elevated in Brantford but will improve modestly in 2011. The County of Brant has just approved an economic strategic plan which has the goal of creating jobs in the region. Partnerships with both the public and private sectors and funding to implement the plan will have an positive impact on the local economy.

## Hamilton Attracts Immigrants

This relative affordability of the Hamilton market and diversity of homes available for buyers attracts many migrants, including immigrants to the area. In fact, immigration accounts for the largest portion of migration to the Hamilton area and will continue to be the primary source of population growth through 2011. There were over 4,500 people who moved to the Hamilton CMA last year, the majority of whom were immigrants. Relatively

lower home prices for more space are an attractive selling point for some immigrants. According to a CMHC study, more than half of all immigrants took four years to enter home ownership after arriving to Canada.

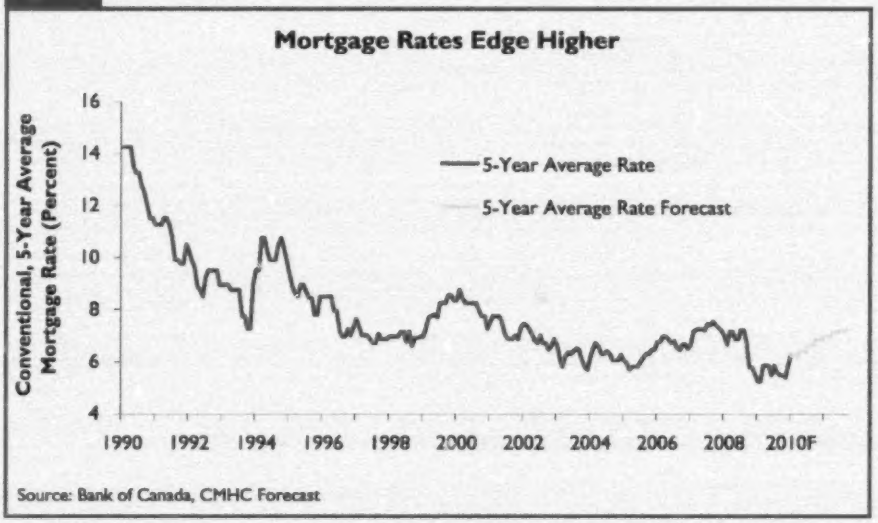
## Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Figure 9




Source: Bank of Canada, CMHC Forecast

| Forecast SUMMARY<br>Hamilton CMA<br>Spring 2010 | 2007 | 2008 | 2009 | 2010f | % chg | 2011f | % chg |
|---|---|---|---|---|---|---|---|
| **Resale Market** | | | | | | | |
| MLS® Sales | 13,866 | 12,110 | 12,680 | 13,600 | 7.3 | 12,600 | -7.4 |
| MLS® New Listings | 18,988 | 19,711 | 17,796 | 18,600 | 4.5 | 18,000 | -3.2 |
| MLS® Average Price ($) | 268,857 | 280,790 | 290,946 | 315,000 | 8.3 | 324,000 | 2.9 |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 1,761 | 1,675 | 899 | 1,500 | 66.9 | 1,350 | -10.0 |
| Multiples | 1,243 | 1,854 | 961 | 1,425 | 48.3 | 1,275 | -10.5 |
| Semi-Detached | 94 | 132 | 134 | 125 | -6.7 | 125 | 0.0 |
| Row/Townhouse | 922 | 1,224 | 473 | 600 | 26.8 | 550 | -8.3 |
| Apartments | 227 | 498 | 354 | 700 | 97.7 | 600 | -14.3 |
| Starts - Total | 3,004 | 3,529 | 1,860 | 2,925 | 57.3 | 2,625 | -10.3 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 365,357 | 404,532 | 445,600 | 420,000 | -5.7 | 435,000 | 3.6 |
| New Housing Price Index (% chg.) | 4.5 | 2.8 | 3.1 | -3.8 | - | -2.0 | - |
| **Rental Market** | | | | | | | |
| October Vacancy Rate (%) | 3.5 | 3.2 | 4.0 | 3.6 | -0.4 | 3.4 | -0.2 |
| Two-bedroom Average Rent (October) ($) | 824 | 836 | 831 | 835 | - | 840 | - |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 6.90 | 6.70 | 4.02 | 4.23 | 0.20 | 5.56 | 1.34 |
| Mortgage Rate (5 year) (%) | 7.07 | 7.06 | 5.63 | 6.20 | 0.57 | 7.06 | 0.86 |
| Annual Employment Level | 374,000 | 374,400 | 373,400 | 375,000 | 0.4 | 378,000 | 0.8 |
| Employment Growth (%) | 0.6 | 0.1 | -0.3 | 0.4% | - | 0.8% | - |
| Unemployment rate (%) | 6.0 | 6.2 | 8.3 | 8.1 | - | 7.7 | - |
| Net Migration [1] | 3,410 | 4,855 | 4,568 | 4,000 | -12.4 | 4,200 | 5.0 |

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2009 migration data is forecasted

## Forecast SUMMARY
## Brantford CMA
## Spring 2010

| | 2007 | 2008 | 2009 | 2010f | % chg | 2011f | % chg |
|---|---|---|---|---|---|---|---|
| **Resale Market** | | | | | | | |
| MLS® Sales | 2,305 | 2,097 | 1,884 | 1,950 | 3.5 | 1,850 | -5.1 |
| MLS® New Listings | 3,451 | 3,668 | 3,321 | 3,500 | 5.4 | 3,300 | -5.7 |
| MLS® Average Price ($) | 209,151 | 218,890 | 220,369 | 229,000 | 3.9 | 234,000 | 2.2 |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 466 | 283 | 258 | 245 | -5.0 | 220 | -10.2 |
| Multiples | 123 | 149 | 59 | 190 ** | | 145 | -23.7 |
| Semi-Detached | 16 | 4 | 14 | 10 | -28.6 | 15 | 50.0 |
| Row/Townhouse | 107 | 116 | 116 | 100 | -13.8 | 80 | -20.0 |
| Apartments | 0 | 29 | 3 | 80 | ** | 50 | -37.5 |
| Starts - Total | 589 | 432 | 317 | 435 | 37.2 | 365 | -16.1 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 222,900 | 253,849 | 282,081 | 330,000 | 17.0 | 335,000 | 1.5 |
| New Housing Price Index (% chg.) (Ont.) | 2.6 | 3.5 | 0.1 | n/a | - | n/a | - |
| **Rental Market** | | | | | | | |
| October Vacancy Rate (%) | 2.9 | 2.4 | 3.3 | 3.0 | -0.3 | 2.8 | -0.2 |
| Two-bedroom Average Rent (October) ($) | 749 | 752 | 754 | 763 | - | 778 | - |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 6.90 | 6.70 | 4.02 | 4.23 | 0.20 | 5.56 | 1.34 |
| Mortgage Rate (5 year) (%) | 7.07 | 7.06 | 5.63 | 6.20 | 0.57 | 7.06 | 0.86 |
| Annual Employment Level | 51,100 | 51,800 | 51,800 | 51,500 | -0.6 | 52,500 | 1.9 |
| Employment Growth (%) | 1.0 | 1.4 | 0.0 | -0.6 | - | 1.9 | - |
| Unemployment rate (%) | 6.2 | 6.3 | 10.8 | 11.2 | - | 11.0 | - |
| Net Migration | 379 | 630 | 576 | 400 | -30.6 | 450 | 12.5 |

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2009 migration data is forecasted

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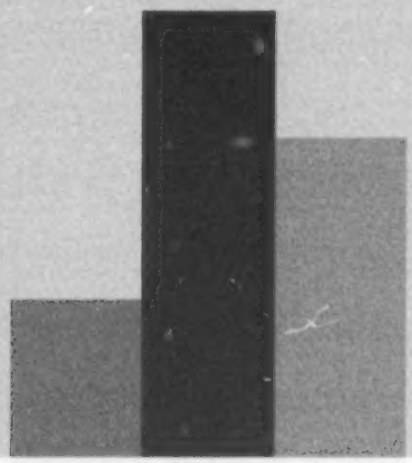

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